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PERS. Nelson, Walter Henry
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A Critic Assails the Discounters

New Book Opposes Methods Used by Cut-Rate Stores

By ISADORE BARMASH

A bomb is due to burst today at the feet of the nation's discounters. It probably will not prove fatal, but discount retailing will probably be painfully picking pieces of shrapnel out of its "face" for weeks and months to come.

"The Great Discount Delusion," by Walter Henry Nelson, is being officially published today by the David McKay Company in New York, but copies have been available in book stores for at least a week. Charging discounters with exploiting the public, destroying national brands, and ruining competition, the 237-page volume already has been read by a number of leading discounters. It has left them indignant, frustrated and disgusted.

Some of Mr. Nelson's 11 chapter titles summarize his conclusions: "Borax in Pigeonville . . . The Island of Loss in a Sea of Profit . . . The Switch, the Nail-Down and the Spiff . . . Price Tags and Turkeys . . . Cherry Picking on Main Street . . . Monopoly in the Making . . . A Survival Kit for the Discount Jungle . . ."

Most significantly, discount houses were charged by the author with using "loss leaders" to entice customers into the store while salesmen then attempt to sell them other items



Charles Van Maanen

Walter Henry Nelson

on which markups are inordinately high.

In addition, alleged Mr. Nelson, national brands are advertised at "low-low" prices by many discounters who, in actuality, have the item "nailed down" so that it cannot be sold. And by encouraging the gullible public to rush in for a low-price lure, Mr. Nelson claimed, discount houses create a monopoly whereby old-established but legitimate businessmen are forced out of existence.

According to Hilliard J.

Author, Ex-Ad Man, Is Curious About Life in America

"I've been a critical observer of the American way of life for many years and I've been curious about the whole question of how \$1 bills can be sold for 79 cents," declared Walter Henry Nelson, author of "The Great Discount Delusion," over the weekend.

The 37-year-old former advertising and public relations man was born in Germany, where his father was serving in the American diplomatic corps.

"No, I wasn't subsidized by any organization or individual," he said, in reply to charges by indignant discounters, "to come up with a book debunking discounting. I've been around the retailing field in one way or another for a long period and so I've been aware of retail trends."

Mr. Nelson, a former news editor of Radio Free Europe and free lance writer, was also at one time vice president and general manager of the Candygram Company, the Chicago company which supplied candy greetings through Western Union. Three years ago, the author decided to devote his full time to writing. "With our three children," he said, "we scrounged, but managed."

One book has previously

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ISADORE BARMASH cont.:

Coan, chairman of E. J. Korvette, Inc., the nation's leading discount chain, a tremendous vacuum must have existed for the discounters to have been able to develop an estimated \$14 billion in sales in 1964, after only 15 years of existence. "If the discounter lives and flourishes, it is only because he has won the vote of confidence from that highest tribunal—the American shopper."

Replying to references in the book to a number of instances in which Korvette stores were charged by civil authorities with overcharges and short weight, Mr. Coan added:

"There are few, if any, successful retailers who have not, at some time or other, brushed up against regulatory agencies on the local, state or national level. No retailer exists who has had no customer complaints, nor does any retailer exist whose customer complaints are always handled satisfactorily."

"In a business (i.e., Korvette), where almost a million items of different sizes and colors are offered for sale, it must follow that there can be instances of inaccuracy and mishandling. At Korvette alone, in a normal week, we may transact 3 million individual sales and there cannot but be some errors in charging—both in favor of or against the customer."

Sol W. Cantor, president of Interstate Department Stores, Inc., another leading discount chain which also has "conventional" department stores, charged, "The great delusion is not really discounting, but Nelson's book itself."

Mr. Cantor said the volume stressed the marginal or bad store's practices and could have been written about "some

things that any department or variety store in the United States has done at one time or another."

Discounting has symbolized a "retailing revolution" characterized by a savings of 20 per cent to 25 per cent to the public, due to lower cost of operations, faster turnover and a lower percentage of mark-downs, Mr. Cantor said.

"Any excesses charged in the book are due to the businessman's normal enthusiasm to push his business," he added.

In Interstate's discount stores, comparative pricing is not used because, noted Mr. Cantor, "I think this leads to a problem. And, in my opinion, since the customer is much smarter than we give him credit for, the day will come when we'll have no comparative prices at all."

The successful discounter has learned to sell more goods by the cost method of a small dollar profit, Mr. Cantor said, rather than by the old-line method of high markup. The net result, he added, is lower prices to the customer.

Apparently, noted both Mr. Cantor and Lester O. Naylor, president of Arlan's Department Stores, Inc., another leading discount chain, Mr. Nelson has generalized from the specific. And the specific, they charged, has been taken from a few, isolated cases and during a period before 1960-62, when the most successful discounters were only beginning to come into their own.

Mr. Naylor, however, attributed a "small margin of truth" in Mr. Nelson's contentions on "loss leaders." The Arlan's executive said, nevertheless, that "I know of no retailers of any kind who takes the same rate of profit on everything on his counter. It must vary."

Author, Ex-Ad Man, cont.:

emerged under the Nelson byline. It is "Small Wonder," a laudatory narration of the rise of the Volkswagen. The book, published by Little, Brown & Co., also raises critical questions about American automotive producers.

"I've always been dismayed," Mr. Nelson said, "by the planned obsolescence and shoddy workmanship in all too many American cars. Too many American businessmen are interested, I think, in seeming good, rather than in being good."

Mr. Nelson admitted that he began writing his book critical of discounters with a conviction that they "were misleading the public. I wanted to open a lot of people's eyes to the reality behind the glitter."

Discounters have been talking for years about the merchandising economies they carry out, he said, "but most of them make their money through a price fix which includes unexpectedly high mark-ups on goods, as well as discounted prices on other goods."

Asked why he did not discuss in his book those conventional department store chains which have also ventured into discount retailing, he replied that he had touched on them, but, if they chose to enter into such practices as his book deplored, "then let the shoe fit the wearer."